

**STATEMENT OF
HENRY S. BUNTING
TO
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON GOVERNMENT REFORM**

I am a procurement professional with extensive experience in evaluating purchasing alternatives, negotiating contracts, and developing second-source suppliers. I served in Vietnam as a staff sergeant in the Army. I have worked as a procurement specialist for Hewlett-Packard, Tyco, and the Houston Metropolitan Transit Authority.

From May through August 2003, I worked as a field buyer in Halliburton's LOGCAP procurement office in Kuwait. My job was to fill Halliburton requisitions by locating vendors to supply the required products. These items were used by other Halliburton employees to provide logistical support to the Army.

During my time with Halliburton, it became clear that the company was not at all concerned about controlling costs. Because the company is reimbursed for its costs, the procurement supervisor and procurement managers frequently told buyers: "Don't worry about price. It's cost-plus." The supervisor would remind us: "Keep the reqs flowing. Remember it's cost-plus." Prices obtained from vendors were never questioned by supervisors or managers.

The procurement supervisor also instructed us to keep as many purchase orders as possible below \$2,500 in value so that we wouldn't be required to solicit more than one quote. Large requisitions were split into smaller requisitions below the \$2,500 level. Sometimes a two-page requisition was separated into two one-page requisitions. Small requisitions were combined but kept under this threshold. Using these methods, buyers needed to solicit quotes from more than one vendor only 25%-35% of the time. I questioned this practice early on, but was told by my supervisor to get back to my purchase orders.

It was also standard practice to photocopy a requisition, hand it to a single vendor, and tell the vendor to submit a quote the next day. As long as the quote was below \$2,500, the vendor would always get the job. Vendors knew that any quote below \$2,500 would be accepted. Because we had a lot of requisitions to get through every day, the buyers didn't worry that the price might be unreasonably high.

In addition, when I arrived in Kuwait, the procurement supervisor gave me a list of 15 to 20 preferred Kuwaiti firms. He told me to use these vendors when filling requisitions. Some of these vendors were not reliable. Some submitted very high quotes. Nevertheless, buyers generally did not seek out new vendors and were not encouraged to do so.

There are plenty of specific examples of wasteful spending. One day, I was going through a stack of vehicle invoices. Halliburton was leasing cars, trucks, and SUVs for

monthly rates of \$3,000 and \$3,500. One vehicle was even being leased for \$7,500 a month. Another example is hand towels. Halliburton's manager for the "Morale, Welfare, and Recreation" unit wanted hand towels with embroidered "MWR" and "KBR" logos. The embroidered towels cost about three times more than regular towels, but he insisted on them. Although I'm not sure if this particular purchase order went through, I know embroidered towels were purchased on other occasions.

Procurement didn't have to be done this way. I estimate that costs could have been reduced by 5% to 15% if vendor competition had been increased. When I took the time to solicit quotes from more than one vendor for exercise equipment for the recreation center, I managed to save \$60,000. I also found a vendor that could sell us office furniture at lower prices than the preferred vendor. In both cases, I don't think the supervisor informed other buyers of the lower-cost vendors I had located. The annual value of my purchase orders was probably around \$30 million to \$40 million. There were 16 or 17 buyers in the department. If we had solicited multiple quotes and sought out new vendors, I think we could have saved tens of millions of dollars.

But management wasn't interested in saving money or improving the company's business practices. In June, we were informed that government auditors might be coming to our office. One supervisor told us to make sure that we portrayed Halliburton in a positive light. When I spoke up and said that I wouldn't lie to a government auditor, the supervisor said, "Don't give them any information they don't ask for." Even at the orientation in Houston, we were told that the quickest way home was to talk to the press or to Congress.

After 15 weeks in Kuwait, I quit. I was physically worn out from the 12 to 16 hour days, 7 days a week. There was no relief in sight.

In February 2004, I contacted Mr. Waxman's staff because, after reflecting on my time with Halliburton, I thought that there were real problems that needed to be fixed. In addition, I testified publicly before the Senate Democratic Policy Committee on February 13, 2004, about my concerns. Although the Defense Department's Comptroller testified before the Government Reform Committee on March 11, that he "guaranteed" I would be interviewed by Defense Department officials, no one from Halliburton or the Department has contacted me to date.


Henry S. Bunting

06 June 2004
Date